



WEEKLY ECONOMIC DIGEST

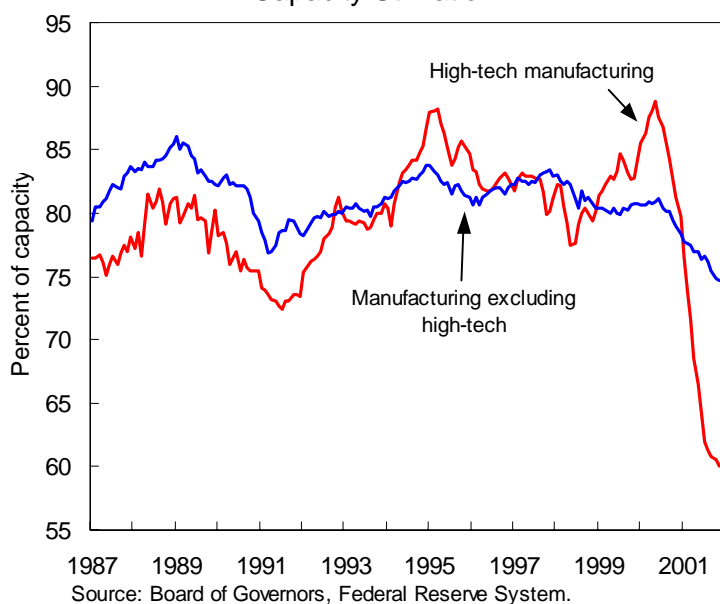


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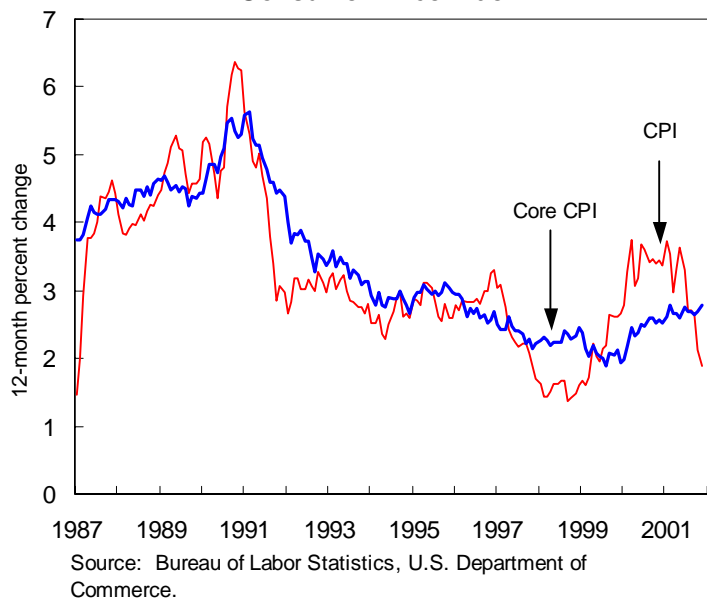
December 18, 2001

Sales and Production Stay Sluggish and Inflation Remains Contained

Capacity Utilization



Consumer Price Index



- **Retail sales fell in November.** Preliminary estimates indicate that retail and food service sales fell by 3.7 percent last month. For the most part, that decline stemmed from a partial reversal of October's record surge in motor vehicle sales along with declines in the dollar value of gasoline sales due to depressed prices. Even after accounting for those two factors, however, retail sales appear to have grown slightly more slowly in November than they did in October.
- **Surging motor vehicle production kept factory output from declining as much as expected.** Manufacturing production declined by 0.2 percent in November—a smaller drop than October's 0.9 percent decline. Excluding a 6.4 percent rise in automotive products, factory output declined by 0.7 percent in November, about the same as it has in recent months.
- **Excess factory capacity rose in November.** Capacity utilization rates in manufacturing slipped to 73 percent last month. Operating rates for producers of such high-technology items as computers, semiconductors, and communications equipment fell to 60 percent of capacity. Outside that high-technology sector, factories operated at 74.7 percent of capacity in November.
- **Overall consumer price inflation was flat in November, but core inflation rose.** The Consumer Price Index was unchanged last month from its October level, as declines in energy and food prices offset a 0.4 increase in the core rate of inflation (which excludes the effects of food and energy prices). That increase in the core rate of consumer price inflation was the largest monthly jump in nearly six years. The rise reflected large increases in the prices of lodging away from home, medical care, new vehicles, and tobacco products. With the exception of medical care, the prices of those categories of consumption goods have fluctuated substantially in recent months. Medical care prices, however, have grown at an average annual rate of 5 percent since the start of the year and show no signs of slowing down. Notwithstanding the rise in November, core inflation was a relatively moderate 2.8 percent over the past 12 months.

Economy At A Glance	Nov	Oct	Sep	Aug	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000	1999
Economic Activity										
Real GDP (% growth)*					-1.1	0.3	1.3	1.9	4.1	4.1
Industrial Production (% growth)	-3.5	-10.3	-9.2	-3.5	-4.4	-5.9	-6.1	-2.6	4.5	3.7
Capacity Utilization (Level, %)	74.7	75.0	75.7	76.4	76.3	77.3	78.9	80.7	81.8	82.2
Civilian Unemployment Rate (Level, %)	5.7	5.4	4.9	4.9	4.8	4.5	4.2	4.0	4.0	4.2
Housing Starts (Thousands)*		1552	1572	1559	1594	1623	1627	1539	1575	1647
Real Disposable Personal Income (% growth)*		-25.1	-7.0	25.3	12.8	2.4	2.7	4.2	3.5	2.5
Retail Sales (% growth)	-36.4	111.4	-23.5	2.7	-1.3	5.2	5.2	0.2	7.6	8.2
Personal Saving Rate (Level, %)*		0.2	4.6	4.2	3.7	1.1	1.1	1.0	1.0	2.4
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	0.0	-3.5	4.9	1.2	0.7	3.1	4.2	2.9	3.4	2.2
Core CPI-U Inflation (% growth)	4.9	2.4	2.4	2.4	2.5	2.6	3.2	2.4	2.4	2.1
Compensation per Hour (% growth)					3.6	4.1	4.5	3.6	4.4	3.5
Output per Hour (% growth)					1.5	2.1	-0.1	2.3	3.0	2.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.9	2.2	2.6	3.4	3.2	3.7	4.8	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	4.7	4.6	4.7	5.0	5.0	5.3	5.1	5.6	6.0	5.7
Federal Funds Rate (Level, %)	2.1	2.5	3.1	3.7	3.6	4.3	5.6	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	9722	9221	9043	10315	9934	10669	10513	10586	10735	10465

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Major Economic News Due This Week:

- **Housing Starts, November** [Release: Tuesday, December 18, 2001]
- **International Trade, October** [Release: Wednesday, December 19, 2001]
- **Personal Income and Consumption, November** [Release: Friday, December 21, 2001]